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NATIONAL REVIEW

Bulletin

Kennedy Fires p. 1

Kennedy Misfires p. 4

Buy Low p. 8

EDITOR: William F. Buckley Jr., PUBLISHER: William A. Rusher
EDITORS: L. Brent Bozell, James Burnham, Frank S. Meyer, Willmoore Kendall
MANAGING EDITOR: Priscilla L. Buckley

It takes a long time to make an airplane or a ship, or the money to buy one with. Simpler to hold a gun against the pilot's skull and order him to head for your gang's hangout. . . . Tedious, too, to go through all the complex negotiations that might induce another nation to relinquish its hard-won right, as established by history and treaty commitment, to, say, a naval base on the North African coast. Why not just set up a blockade and start shooting planes down? . . . A bore to slave away year after year building up factories and banks and stores. More imaginative to grab them in a single stroke, as Gamal Abdel Nasser grabbed 378 of them on the Ninth Anniversary of his Revolution last week. (To the crowd's screams of "Nationalize! Nationalize!" the leader jokingly responded: "There isn't anything left to nationalize!"—a thought that might have been sobering in a soberer moment.) . . . Think of all those humdrum court motions and hearings to get the settled laws and customs of a southern town changed more to your liking. Much more exciting to get a gang together for a Freedom Ride that will rile the cops, collect a crowd, and maybe provoke a rumble that will land your picture in *Life* or *Look*. . . . Treaties and solemn agreements with your former allies prohibit unilateral change of regime in former enemy regions? What could be easier than to tear up the papers, announce that you are going ahead on your own, and dare anyone to knock that loaded missile off your shoulder? . . . The workers at dockside or a race track aren't interested in your invitation to join your union? Maybe they, and their bosses, will change their minds soon enough if you throw a picket line of hired goons around the entrance to the piers or the track, and tell your boys to watch out for stragglers. . . . Wait for an election to change a government? When you can call the students and morons into the streets? Are you mad, man?

Civilization functions only within the framework of common rules that everyone, or nearly everyone, accepts. Outside of civilization are those who reject the rules: the outlaws and the barbarians. It needs no more than the daily headlines to tell us how fast the hordes of the outlaws and barbarians are swelling.

If civilization is to function, everyone, or nearly everyone, must accept the rules and nearly always willingly, at best; but if not willingly, then because they must, because the guardians of civilization compel and enforce acceptance. But if the guardians renounce their task—if they ignore, condone, even abet, the flouting of the rules, the hi-jacking of ship or plane, the riots in the streets, the theft of the factory, the groin-gouging of the goons—then the rules dissolve, and the civilization which they have made possible. The outlaws and barbarians move in, take over.

The WEEK

● President Kennedy's cabinet, which has rarely been summoned for official meetings, has decided to hold unofficial meetings. Needless to say, its indecisions remain subject to the approval of the President.

● Our President has never failed us when the need becomes acute for an appropriate rhetoric. That record is unbroken, and dates back to his inaugural address, through the crises of Laos, Cuba—and now Berlin. Mr. Kennedy is a man of many words, usually well chosen. And now he has said that we will defend the freedom of Berlin (which is to say our own freedom, after the strategic connections are applied)—if necessary by going to war. ("We do not want to fight—but we have fought before. . . .") The question of course arises, does the President who started his Administration by telling the people not to ask what the nation could do for them but *vice versa*, who swore he would not surrender Laos, who promised the liberation of Cuba: does he mean it? We are prepared to believe he does, but that is less important than whether the Kremlin is prepared to believe he does. The Kremlin, and others, would more likely have been convinced, not by a speech, but by the resumption of nuclear tests.

● A brilliant proposal—launched in a *New York Times* lead editorial, presumably inspired from inside the Administration—for a strategic counteraction to the Berlin

squeeze has so far evoked remarkably little public response. "A Communist blockade of Berlin," suggests the *Times*, "can be answered by a selective Western blockade of Soviet shipping on the high seas." Geography combines with our naval superiority (strategically decisive in spite of the Soviet submarine fleet) to make such a measure possible and effective in a manner and degree of our choosing. "The narrow exits from the Baltic and the Black Sea and into the Atlantic through the Iceland-Faeroes gap could be easily stopped." Russian arms can be kept from Cuba, Indonesia, Ghana. Western products, to the extent the West chooses, can be denied to Russia. If accompanying a dynamic campaign on the political issues, a semi-public preparation to employ, for a change, our strongest instead of a weaker weapon, might well prove the decisive deterrent to Khrushchev's present plans.

Behrendt, *Algemeen Handelsblad*, Amsterdam

"Look at Poor Kennedy!"

● *Missiles & Rockets* has described the four reasons for man's desire to travel through space. There's the Hillary ("because it's there") theory; the Columbus ("it'll pay off cash-wise") theory; the Archimedes ("science bugs me") theory; and the Panama ("national defense") theory. Not to mention the John Fitzgerald Kennedy Theory of Space Exploration, which states, "A crowd that's looking up to Heaven doesn't guard its pockets."

● Richard Nixon has inaugurated a series of articles on subjects of national interest in the *New York Herald Tribune*. The most recent piece (July 24) includes a scathing analysis of President Kennedy's failures—in Laos, in Cuba, in his inability to decide whether to resume nuclear testing, in his unwillingness to reduce domestic welfare programs to help pay for a military build-up, in his indifference to the communications chaos in the Pentagon and State Department. Calling for a firm stance backed by the will to act not only in Berlin but around the world, Nixon implies that the President should be prepared to make decisions, create and mould popular opinion rather than follow it, do what is right whether it's popular or not. These right words, coming from a man who sought to woo the voters with a sound dollar tied to the welfare state, with a political philosophy that included conservatism and Rockefeller, with belligerent compromise on Cuba, with the defense of nuclear test suspension—these words are, at worst, empty. And at best, one year late.

● Do you remember Khrushchev's shouting and shoe-pounding at last autumn's session of the UN General Assembly? Do you remember his coarse, insulting attacks on Dag Hammarskjold, and Dag's elaborate speeches of self-defense? And do you remember, after a few Assembly votes showing Russia in a small minority, how the columnists and editorial writers assured us that K had "overplayed his hand," and "antagonized the small nations" and "weakened" the whole Communist position in the UN? The July 2 article of Thomas J. Hamilton, the *New York Times*' UN correspondent, provides, six months later, enlightening commentary. "The departure [from the UN staff] of Mr. Cordier will help meet a Soviet charge that Mr. Hammarskjold's closest associates are predominantly from the U.S. and other members of the 'aggressive Western bloc.' . . . The Secretary General's aim [in his reorganization moves] is to cut the ground from Premier Khrushchev's campaign against him by giving the Russians the jobs. . . ." That is, in short: Hammarskjold's method of defense against Mr. K's onslaught is to give Mr. K what he wants.

● The Soviet Union has decided to resent our satellite Tiros, which orbits majestically around the world, outside the reach of their most prehensile missiles, espying the minutest venture in pyrotechnics on the tormented globe below. Every time Premier Khrushchev tosses a two-inch firecracker at Molotov, our men in the Pentagon will *tsk-tsk* their disapproval. It remains only for our scientists to devise an orbiting polygraph which will beam constantly on the Kremlin and give us a running record on when Mr. Khrushchev and his associates are telling the truth. We'd want that one tested very thoroughly, lest its rays fall, wantonly, on other statesmen. Imagine what would happen to the poor thing if it zeroed in on the United Nations?

● Tito, Nasser and Nehru have reached a decision: the neutral nations of Europe—Switzerland, Sweden and Finland—will not be invited to the Neutral Summit the little three are calling this fall. Not uncommitted enough.

Pay-off

During the year since independence, the one authentic regime in the former Belgian Congo has proved its legitimacy by maintaining public order, fiscal responsibility, the general welfare and loyalty of its citizens. Throughout that year, it has sought some form of

recognition for its legitimate existence, and has more particularly sought friendship and political support—economic aid it neither wants nor needs—from the United States and its Western allies. This friendship and support the United States and the West have refused to give. On July 20, Katanga's Minister of the Interior, Godefroi Munongo, speaking for Moise Tshombe who was absent in Africa's mysterious way, drew a balance. "Our fight for survival was waged all alone, and alone it continues today. . . . Inasmuch as the UN and the Free World cannot or will not find a sound and lasting solution to the Congolese crisis, Katanga has now decided, without their help, to seek such a solution, in an African way. Accordingly, the government intends very soon to send a delegation to [the pro-Communist Gizenga regime in] Stanleyville. . . . Finally, should the future of our country call for it, inasmuch as the Free World refuses to take a stand and only the Soviet Union seems actually capable of effectively helping its friends, we shall not hesitate . . . . to request its assistance." The wages of political stupidity are defeat and disaster.

Curb Your Dogs

The Administration's campaign to muzzle the military is shifting into high gear. From now on, an officer who wants to be on the cozy side of the promotion boards had better have his ideas checked for political purity by the ADA.

General Edwin Walker was carved up just for practice, just to get the knives well sharpened. Week by week the blades slash away: cutting *Operation Abolition* out of the approved list for soldier viewing, slicing now this, now that anti-Communist book from military libraries. . . . Last month Senator J. W. Fulbright, chairman of the Foreign Relations Committee, charged into the battle that seems to rouse him so much more than a Laos or Cuba. He launched a massive memorandum against the "high military officers" who engage in or sponsor "educational programs" on Cold War issues that "veer into Right Wing radicalism." Under the Fulbright onslaught, Defense Secretary McNamara surrendered, unconditionally. Orders have gone out that any officers hereafter wandering on the Right side of the New Frontier's ideological fence will end up walking the plank.

The Fulbright memorandum defines "Right Wing radicalism" in terms of "a central thesis that the primary, if not exclusive, danger to this country is internal Communist infiltration. . . . This thesis of the nature of the Communist threat often is developed by equating social legislation with socialism, and the latter with Communism."

Now this is indeed, roughly, the thesis of the founder of the John Birch Society, though not that of most of the Society's members. And that thesis is heterodox enough to justify excluding it from military indoctrination programs and prohibiting its advocacy by the mili-

PEOPLE: Dove of peace to top Maine Monument in Havana (replacing American eagle) will be sculpted by none other than dove-of-peace expert, **Picasso.** . . . Bright idea of *N. Y. Post* columnist **William Shannon** after Bizerte affair. Let's do the decent thing, pull our armed forces out of Guantanamo and turn it into a medical center for all of S.A. . . . Ballantine Books, which brought out Fifth-Amendment-taker **Frank Donner's** book on HUAC, also peddling **Castro** apologias by **C. Wright Mills, Jean-Paul Sartre.** . . . Getting big publicity sendoff, a new book about Castro revolution, *M-26* by former CBS news correspondent **Robert Taber.** Not mentioned in publicity flyers: Taber was a co-founder of Castro-financed Fair Play for Cuba Committee; has a criminal record; skipped country rather than testify before Sen. **Dodd's** Internal Security Subcommittee; is now on Cuban payroll as radio propagandist.

N. Y. Times' **Herbert Matthews** has formally (in a letter to family of Gen. **Moscardó**) withdrawn his charge (made in *Yoke and Arrow*) challenging the legendary heroism of Gen. Moscardó at Alcázar. . . . **Willard Garvey,** Kansas tycoon, will publish Washington (D. C.) weekly beginning in September under editorship of **Ralph de Toledano.** Intention: to compete with left-wing *Washington Post.* . . . **Clarence Manion** will launch conservative clubs throughout the nation beginning in September.

Defense Secretary **McNamara,** supported by a dozen or more influential congressmen, fighting uphill battle against **Stevensonians** in State Department and White House for early resumption of nuclear tests. . . . Sen. **Eastland** reveals that Cuba sent over 162,000 packages of magazines and 11,700 packages of newspapers to all parts of the U. S. in the months of February and March alone. (No figures post March 22 available: President **Kennedy** ordered suspension of customs controls over incoming Communist propaganda on that date.). . . . Sen. **Goldwater** planning to take action on the Gen. **Walker** case. . . . Freshman Rep. **Richard Roudebush** (R., Ind.), who arrived in Washington a conservative last January, now tells his constituents, after six months of the New Frontier, he's an "ultra-conservative."

Intercepted from UPI wire, message by bureau chief in New York to Washington bureau on how to handle Newburgh's ***Joseph Mitchell:*** "RE NEWBURGH MITCHELL HE'S MEETING WITH TOWER IN A.M. AND GOLDWATER IN P.M. WE WILL DO ONITE [OVERNIGHT STORY]. SUGGEST YOU ASK MITCHELL WHETHER HE OR TOWN PAYING FOR HIS TRIP HERE. OTHERWISE I'LL ASK HIM TMW [TOMORROW]. MLP/WA [WASHINGTON.]"

tary when acting in official and public capacity. It is too much, after all, to expect a commander-in-chief to let his subordinates indoctrinate his troops in the thesis that our government is in the hands of the enemy.

But it is not the John Birch Society or other "Right Wing radical" groups that the Fulbright memorandum goes on to cite by name. It calls, instead, for investigation of the relation between the National War College and the Foreign Policy Research Institute, the Institute for American Strategy, and the Richardson Foundation—thus allowing the reader to infer that these three are the prime exemplars of the "central thesis."

In fact the two Institutes (financed in part by the Richardson Foundation) reject the central thesis so totally as to come dangerously close to the complementary error that there is *no* danger of internal subversion. Prof. Robert Strausz-Hupé, the scholarly and distinguished director of the Foreign Policy Research Institute, and his colleagues are not even "right wing" in any usual sense. But no group in the country has more thoroughly analyzed the strategy of the Soviet Empire or more convincingly presented the "hard line" as the only means of meeting its threat. This is why Senator Fulbright, and whoever wrote his memorandum, and the Softs around the President, single out these Institutes for so shameless a smear.

Perhaps Senator Fulbright will go on to explain what thesis *he* thinks our soldiers should be taught, as they get ready to fight the Communist enemy—this autumn, for all we know. War is Unthinkable? Let's wait till the dust settles? Recognition of Red China is inevitable? Yalta was an act of brilliant statesmanship? Better Red than Dead?

Support from Europe

The *Centro Europeo de Documentacion*, an organization of European intellectuals who have met together in Spain every year for ten years, has been moving left under the influence of its French membership; and indeed, although its *raison d'être* has always been to increase the influence of Christian traditionalists and libertarians in world affairs, the CEDI found itself three weeks ago, at its tenth reunion at El Escorial, gagging over the prospect of being asked to endorse the United States' invasion of Cuba last April, clearly a traditionalist, Christian and libertarian endeavor. An informal poll showed that half the delegates were unwilling to endorse our half-hearted venture in liberation, and the anti-Communists were deeply discouraged.

A day later the entire assembly, moved by the impassioned speech of a Hungarian refugee, rose, at the beckoning of the lachrymose Frenchman who was presiding, to record unanimously its hope that some day Hungary would be set free again. Up shot Mr. Peter Crumpet, from the American delegation, to propose that the identical sentiments just now registered on Hungary,

• At Home •

Washington

The defeat of federal aid to education in the House Rules Committee is being marked down as a defeat for the Administration. The President, publicly at least, described the measure as the "most important" part of his program. And since the Committee had been packed by Mr. Kennedy and Speaker Rayburn precisely to avoid what befell the education bill, the defeat would appear to be twice as crushing. But there is much more than meets the eye behind the 8-to-7 vote to table.

When the bill was being drawn up by the White House, Mr. Rayburn warned the President that it would run into trouble on the Hill, particularly in the lower chamber.

To avoid this trouble, two of the President's advisers—reportedly Arthur Schlesinger, Jr. and Theodore Sorenson—suggested that debate over the merits of federal aid could be avoided by raising the parochial school issue. This extraneous question, it was believed, would so occupy the country and the Congress that an aid-to-education bill could slip through. It was a maneuver which had worked effectively during the campaign. The Washington news corps played right along. The papers were full of arguments about the separation of Church and State—with hardly a line on the Administration's bold grab at control of the nation's school system.

But over the years, local school boards have had their fill of the U.S. Office of Education and a powerful lobby headed by the National Education Association. Parents, too, felt more than a small qualm over the possibility of a regimented school system run by federal bureaucrats. The mail began pouring in, much of it from those who would presumably gain the most by a Treasury subsidy of education. Congressmen and senators were astonished at the volume and vehemence of that mail—and at its evident spontaneity.

At this point, Speaker Rayburn urged that some means be found to kill the federal aid-to-education bill and its corollary measures in a manner least harmful to the Administration. But every head-count showed that there just weren't enough votes for House passage. The decision was made at the highest Administration levels to allow the Rules Committee to give federal control of education the *coup de grace*—at least for this session. President Kennedy is extremely unhappy over this course of events—and he will quietly try to muster the votes necessary for by-passing the Committee. But no one on Capitol Hill feels that he can succeed—and they interpret his public indignation merely as a face-saving device.

The President suffered a far more serious defeat in the little publicized rejection by the House of a proposal to

"reorganize" the NLRB. This reorganization plan, dear to the hearts and pocketbooks of the labor unions, would have given judicial powers to minor employees of the National Labor Relations Board. Under the Eisenhower Administration, the NLRB began swinging away slightly from its pro-labor orientation. Workers with grievances against unions were given a hearing and occasionally won a case. Management was not regularly accorded the guilty-until-proven-innocent treatment. As a pay-off for its support during the campaign, the AFL-CIO was promised that the Kennedy Administration would restore the NLRB to its former status as an adjunct of organized labor. With most of the lower echelon employees holding strong anti-management views, the "reorganization" would have deprived NLRB board members who do not worship Walter Reuther's shrine of what small powers they now possess. The House action, therefore, has the AFL-CIO's lobbyists gnashing their teeth and crying havoc over subservience to "big business."

The AFL-CIO is only the latest of the pressure groups forming the Democratic coalition to be disappointed in its post-election hopes. The National Association for the Advancement of Colored People, which swarmed around Richard Nixon when he was Vice President and then turned on him during the 1960 campaign, is now saying bitterly that it has been sold down the river by President Kennedy and his brother Bobby. NAACP leaders had been reassured that once in office the Kennedy clan would mount a *jehad* against the South, introduce tough civil rights legislation, and make the White House a rest home for the Reverend Martin Luther King, Jr. Brother Bobby, however, is too busily at war with American industry to have much time for the NAACP—and the Negro organization's Washington representative, Clarence Mitchell, confesses to all who will hear him that he finds the current Vice President far less congenial than his Republican predecessor. So sad.

Foreign aid is in serious difficulties. And the situation has not been helped by the recent cavortings in Washington of Pakistani President Mohammed Ayub Khan. His insistence, almost ultimatum, that foreign aid must be continued raised the hopes of Liberals—for it was spoken by the head of one of the few nations in Asia friendly to the United States. But his subsequent remarks, calling for recognition of Red China and Outer Mongolia, shocked Congress into a realization of the limited diplomatic value of foreign aid. As a result, it is being freely predicted in House and Senate cloakrooms that though the President will get some foreign aid, it will not be as much as he wants—nor will he get those "backdoor spending" provisions which will allow him to dip into the Treasury at will without congressional sanction. QUINCY

must apply to Cuba. "Let us encourage the liberation of nations which *can* be liberated, rather than confine ourselves to expression of sympathy for those that, for the time being, cannot. Specifically, let us endorse the United States' attempted liberation of Cuba." The entire assembly, trapped by its own eulogies, stood up, many of them visibly embarrassed: and so the proceedings showed a unanimous vote. The Secretary of CEDI neglected to give notice of the resolution to the press: but others have done so, with bracing effect in important quarters of Europe and Latin America.

BRIEFS: *Plus ça change*: For refusal to accept jobs offered them, three young Soviet citizens have been found guilty of "parasitism," sentenced to three to five years at hard labor in Siberia; for dealing in black market rubles, two Soviet citizens have been sentenced to death. . . . East Germany now issuing five different kinds of identification papers, several of which bar possessors from entering areas contiguous to Berlin. . . . **Rumania checks distribution of subversive literature by forcing all owners of private typewriters to register them with police, leave samples of their typing in police files.** . . . At 9th Anniversary of Egyptian revolution, Field Marshal Abdel Hakim Amer boasted that Egypt's navy now controlled eastern Mediterranean; that Egypt was building an arms industry capable of turning out heavy armaments.

Twenty million Indians today are living on food supplied by the United States. . . . **Japanese now own more TV's, more washing machines, per capita, than do the French or Germans.** . . . One-fifth of Switzerland's working force (of 2½ million) is foreign; 67% of it, Italian. . . . Absent from the Paris Bastille Day parade (but not from Battle of Bizerte), the French Foreign Legion, which was being punished for its part in Generals' Revolt. . . . **Organized survivors of the Hiroshima bombing have refused to take part in Communist-supported World Conference Against Nuclear Bombs in Japan August 6 because of "political bias" of the conference.** . . . An aide to Angolan rebel leader Roberto Holden boasted at Paris press conference recently that the rebels, among other tortures, have run Portuguese farmers through their own farm machines.

New York politics getting rough: One of Mayor Wagner's political foes told a Bronx audience last week His Honor was such a lightweight he "could dance on charlotte russe."

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• Trends •

Just six months after the February trough of the mild 1960-61 recession, the U.S. economy is working quite smoothly. The upward march to all-time peaks in employment and national output has been brisk. But the wistful Administration economists aren't impressed.

In their book, theory comes first. The foremost Liberal economic doctrine today is the Theory of the Output Gap, which is recovery-proof. Back in early March, the President's Council of Economic Advisers laid down the line: ". . . the American economy today is beset not only with a recession . . . but with persistent slack in production and employment, a slowdown in our rate of growth." By the CEA's reckoning, "economic recovery . . . is far more than a cyclical problem. It is also a problem of chronic slack in the economy—the growing gap between what we can produce and what we do produce."

So there's alleged to be an "output gap," and a growing one at that. One might suppose that the CEA meant by potential output the sum of capacity production in every industry. But no, the Keynesians are never uncomplicated. Their definition of what the country can produce rests on a pair of unreliable indicators: the gross national product, which the government can distort and manipulate by spending, and the estimate of unemployment, which is subject to all the errors of opinion-polling and statistical analysis. At any rate, potential output, according to the CEA, is the level of economic activity that would result if unemployment dropped from the present rate well above 6% down to 4% of the labor force—the jobless rate judged to permit high production with "reasonable" price stability.

Now, unemployment is a serious problem because it is so fundamentally a human problem. But preoccupation with unemployment in discussing economic growth overlooks a couple of pertinent facts: U.S. employment is at the highest levels in the nation's history, and the work force is becoming more skilled all the time; moreover, improving technology and efficiency combine to increase average per capita output each year. Hence, the economy can grow—produce more goods and services and real wealth—even if unemployment remains fairly high by the CEA's standard.

The output-gappers squeeze, stretch and bounce statistics until they come up with allegedly precise dollar amounts of the cost of "slack." To do so, they must resort to such tricks as assuming the truth of what they're trying to prove and labelling as "normal" certain conditions they arbitrarily select.

First of all, the Kennedy economists assume that an output gap exists, which is an assumption many respected economists shun. Next, they tell us that, especially since 1955, "the gap has shown a distressing upward trend." How distressing? Last year, says the CEA, the "gap" was $40 billion, or about 8% of the GNP. Since then, it's said to have widened to about $50 billion.

In order to arrive at these statements, Administration thinkers make these assumptions: that a 1.5% annual increase in the size of the labor force and a 2% annual increase in productivity are "normal." That yields a "normal" growth of 3.5%, which the CEA considers sufficient to do nothing more than keep unemployment from worsening. Mid-1955 is chosen by the CEA as a period of "normal" economic conditions because it was a time of "prosperity and stable prices" when unemployment was just above the desired rate of 4%. The selection of mid-1955 is, of course, quite arbitrary. The CEA then plots a curve of potential output using the 3.5% rate from mid-1955 to the end of 1960. What it finds is that the GNP "should" have been $542 billion at the end of 1960. Actually, it was under $503 billion. That means, says the Council, an "output gap" of some $40 billion.

Does it really? Among those who don't think so is Dr. Arthur Burns, chairman of President Eisenhower's CEA, who debunked the theory of his successors by taking mid-1947, which was every bit as "normal" as mid-1955, as the starting point for his curve of potential output. A 3.5% curve drawn from that mid-1947 starting point, he discovered, caused the "output gap" to vanish entirely. "In fact," he noted drily, "we would then have to say that actual output in 1960 exceeded potential output by more than $2 billion."

Unfortunately, men in the grip of a fixed idea, particularly one long held, do not give up so easily. The theory of the output gap, for all its New Frontier semantic dress, is actually the old Depression doctrine of capitalist "stagnation." It is not so bleakly pessimistic, to be sure, but just as dogmatic on the absolute necessity of massive government spending and regulation of the "private sector" of the economy.

In the vanguard of the output-gap crowd is elderly Alvin H. Hansen, onetime New Dealer, retired Harvard economist and symbol of the continuity of Liberal dogma. Professor Hansen has the ear of some who have Mr. Kennedy's ear. What he is passing along may be judged by a recent prophecy that, even if federal spending leaps to $120 billion by 1964, the "output gap" stubbornly will remain at $50 billion.

That staggering prediction puts the theory nicely into perspective. Despite its elaborate trappings, it is an argument for inflation, pure and simple. As the CEA said, "the expansionary effects of government programs will be welcome even if they occur well after the recession has been reversed." What the theory provides is a rationale for spending as desirable in itself. Every dollar shows up in the rising GNP, and enough inflation will drive unemployment down to the level at which the Administration thinks it ought to be.

What might happen to the economy in the meantime is easily imagined. All those theories of the good, old Depression days could be given another Harvard try.

RICHARD WHALEN

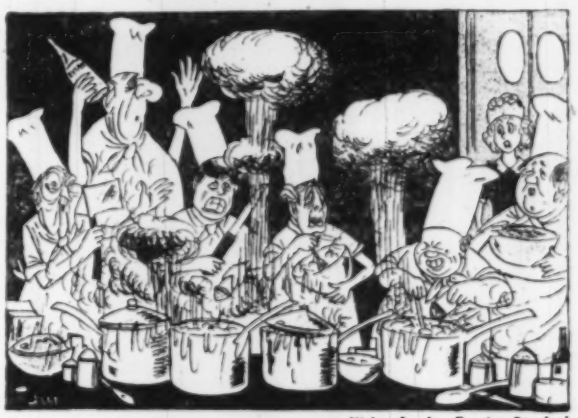
• Abroad •

Geneva. The coldest-tempered European observers believe that the West will give way on Berlin. Their skepticism is based on: a) the policy differences among the Western governments, blocking united action; b) the spiritual lethargy of the Western public, bathed in prosperity and unwilling to face the challenge of war; c) the demonstrated incapacity of President Kennedy to act decisively in international affairs; d) the unpopularity—in nations so recently taught that Germans were the main enemy—of making Berlin the *casus belli;* e) Khrushchev's skill in keeping each successive provocation under the level that might seem to give convincing motivation to a nuclear response. They believe that Khrushchev will go ahead with the envelopment and eventual absorption of Berlin, but by stages so indirect and complex as to hide from most of the public both the significance of his aggressions and the reality of Western retreat. The only chance for a blowup, according to this widely accepted analysis, would be a move by Khrushchev so blatant and undisguised that the Western leaders would be virtually forced to act.

Accra. While Kwame Nkrumah, in pursuit of his Pan-African ambitions, is touring Russia and the East European satellite capitals, with a side-trip to Peiping under consideration, domestic and imported Communists steadily strengthen their position on the home front. A pro-Soviet faction—headed by Kwesi Amoako-Atta, Martin Appiah Dankwa, John Tettegah, Kwaku Akewei and other prominent officials—is ascendant in the ruling political party (CPP). Besides her large embassy, Russia has taken over two hotels (the Ringway and the Star) to house her army of agents, and opened a cultural center and an industrial exhibit.

Jakarta. The buildup of the Indonesian airforce, promised under last winter's military agreement with Russia, began this month when Russian crews flew in several TU-16 (Badger) jet bombers in augury of many to follow. The Badgers are similar to U.S. B-47s; and, as Air Marshal Suryadarma explained, give Indonesia "ability to reach out beyond its borders." Russian prop-jet transports (Cats), comparable to the U.S. C-130s (Hercules), also arrived. Other types expected soon include Yak-42s (day fighters) and Backfin night fighters. The Russian representative remarked on turning over the first batch that Russia was "supporting Indonesia's fight to wrest West Irian territory from Dutch colonialist rule." Foreign Minister Subandrio added, for good measure, that Portugal had better watch out for Timor.

Glasgow. By stringent measures—including a six months' incubation period for dogs seeking entry—Britain has managed to keep free from the nearly world-wide scourge of rabies. There is, therefore, widespread alarm at the revelation that an American airman, Robert W. Harmon, has been hospitalized with a suspected case. Harmon had been bitten by a dog in Germany, shortly before leaving for home on the troopship *Pate.* The doctors on board diagnosed rabies. He was landed at Wick in north Scotland, and flown here, to Ruchill hospital, where he is being kept in isolation until the diagnosis is finally confirmed—which may take as much as six months.



Vicky, *London Evening Standard*

The Kitchen

Peshawar, Pakistan. The Northwest Frontier is still, as it has been from time immemorial, the theater of continuous assassinations, raids, blood feuds, kidnappings and arson. This summer, the price of bullets—the local currency—has dropped spectacularly (from $7 to $1 per ten rounds of .303s). This inflation was provoked by the activities of an Afghan agent, Badshah Gul, who has been distributing large quantities of money and radios as well as bullets in a campaign to rouse tribal interest in "Pakhtunistan"—the proposed new "independent state" to be formed out of NW Pakistan and SE Afghanistan. Gul's operations are carefully stimulated by the Russians, seeking to bring trouble to the anti-Soviet Pakistan regime. The tribesmen are happy to accept Russo-Afghan largesse, but show little interest in the politics. When they occasionally do, President Ayub Khan's hand is swiftly felt in floggings, property confiscation and jail sentences.

Paris. Comment of the European Left on the new Papal encyclical, *Mater et Magistra,* has ranged from praise to rapture. Even the Communist press finds much to greet. The Mendésiste *L'Express,* applauding the encyclical's style, attitude and content, remarks: "John XXIII does not forget that both Castro and Lumumba were, at the outset, children of the Church." The British *New Statesman* finds in the encyclical "the Vatican's acceptance of the Crosland-Gaitskell *(i.e.,* official Labor Party) view of life." The *Manchester Guardian* agrees that there is now "a Socialist Pope . . . in the sense in which moderate Labor Party leaders are called 'Socialists,'" and concludes: "By this document the Roman Catholic Church has made Keynesian economics its own."

• The Investor •

A few days ago a businessman for a foreign country came to see me to discuss investment supervision for his U.S. portfolio of $1.1 million. He was, he told me, unhappy about the investment counsel he had been getting. And his complaint was twofold. First, he had suffered a substantial loss in a popular new electronics stock issue which had sold as high as 60 about a year ago, but is selling at 23 today. His second dissatisfaction arose from his adviser's unwillingness to follow his hunch to sell half his stocks prior to the late spring setback in the market. The investment counsel firm he had employed is well known, medium large, and enjoys a good reputation.

It was sometime later before he gave vent to what I believe was his underlying grievance. He is the owner of a number of factories and a highly capable person in his own field. Yet when he contacted an investment counseling firm, his business was handled by an account executive, who had obviously failed in establishing the right rapport with him.

It is essential for a client to know and to agree with his counselor's over-all investment plan. It is just as important for the adviser to explain why he is *not* recommending a certain investment as to explain why he does recommend another investment. A client's common sense should tell him that mistakes will be made. But no harm is done by underscoring this fact.

Before engaging an investment counselor, it is essential to talk with the man who will actually handle your account and to understand what he intends to do for you. You should have some knowledge of the quality of the firm's work and the best way to get this is to talk to one or more of the older clients.

The investment philosophy to which I subscribe is that the objective of stock purchase should be primarily capital growth. Successful capital growth, in the long run, will bring income growth as well. Should an investor be interested in the largest present income compatible with safety, he should look for it among tax exempt issues and other securities with fixed income obligations.

At worst, the attempt to get capital growth through purchase of the higher-yielding stocks can result in capital loss and a reduction or loss of income. If one buys only stocks of large quality companies, with an important dividend yield, capital loss can frequently be avoided, but such a portfolio is apt to achieve a static capital trend. A high current income return is rarely accompanied by important capital increases.

The investor should not expect a veritable market explosion as soon as he buys. The speculative fever we saw in the market in the first six months of this year resulted in the dissatisfaction of many investors with the professional advice they had been receiving, particularly when the nextdoor neighbor, the local tradesman or the dentist reported he had doubled and trebled his investment in certain of the lower-priced speculative stocks. But at least a few of these volatile speculative favorites have already hit the skids.

Even if speculative gains are quick, they are seldom retained for long. As in horse racing, speculative success merely whets in the investor the appetite for another plunge and eventual disaster.

Most enduring capital growth is *earned* by the investor and his adviser working as a team. It requires knowledge about a company and its management, and constant addition to this knowledge. There will be, almost inevitably, unpleasant setbacks, which may try one's patience almost to the breaking point. There will be declines and, when these occur, rumors of difficulties. Actual problems which had been present for some time and ignored will suddenly receive belated recognition.

It requires an ability to gather facts, the judgment and experience to evaluate them, and the patience of Job, successfully to multiply investment capital. It is in this sense that capital growth is earned. The race track approach to investment is doomed to ultimate failure, however wonderful its temporary elations may be.

What is a reasonable capital growth objective today? I believe that prudent, experienced selection could double an investor's funds within the next five years. This is a prediction, to be sure, not a pronouncement. But it is based on past performance, and on an examination of what is presently in process of achievement.

To make this presentation more specific, let us examine very briefly a stock selection we recently made after considerable study and after two sessions with top management.

In the past fifteen years, the management which recently bought Loew's Theatres has made $125,000 of family funds grow to $65 to $70 million. This was accomplished without extreme risk through the use of borrowed capital. The chief executive officer of the company is 37 years old, full of drive and with many years of active life ahead. Within a year and a half of acquiring control of the company whose shares we are now buying, the Tisches have a new program well underway, which may be expected to raise earnings from $1.04 per share for the year ending August 31, 1960, to $3.50 for the year beginning September 1, 1962.

Loew's Theatres, Inc., under management of the Tisches, is going into the hotel business. The old Loew's Lexington theatre has been demolished and rebuilt as the newest hotel in New York, *The Summit*. Other hotels, such as *The Americana*, will follow.

The fact that no dividends will be paid for another year may deter some from investing with the Tisch brothers. That they bought their 650,000 shares at less than half present levels over a year ago may deter others. But after looking at the figures, and discussing their plans with them I am satisfied to become a partner of the Tisch management team. NORVIN R. GREENE